



DIB Bank Kenya

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TREASURY MARKET UPDATE 14TH JUNE 2024

DOMESTIC NEWS

Kenya's shilling was steady on Thursday and was expected to gain ground, helped by dollar inflows from the agriculture and tourism sectors.

Commercial banks quoted the shilling at 128.00/129.00 per dollar, the same as Wednesday's closing rate. (Reuters)

Treasury Cabinet Secretary (CS) Njuguna Ndung'u announced a raft of sharp expenditure cuts, a freeze on employment and new tax measures in a budget that mirrored IMF's recent demands for deep public sector reforms. Prof Ndung'u, in his 2024 Budget statement presented to Parliament yesterday, outlined plans to audit and cleanse public payrolls, pension and cash transfers to the vulnerable, where it suspects massive leakage of public funds through corrupt schemes. The CS said the reform proposals in his Sh3.92 trillion national budget are aimed at containing a soaring public wage bill, which hit Sh1.1 trillion in June 2023, and "eliminate ghost workers as well as enforce payment of salary scales" as approved or recommended by the Salaries and Remuneration Commission.

On other local news on the budget, Owners of high-end vehicles will pay upwards of Sh400,000 for the annual motor car tax after the Treasury made a U-turn and removed the cap of Sh100,000 on the proposed tax. Professor Njuguna Ndung'u while presenting the budget for the 2024/25 financial year did not mention the earlier proposal of an upper limit for the tax, setting up car owners whose units cost more than Sh4 million to pay higher tax. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	123.25	133.25	123.25	133.25
GBP/KES	159.54	172.54	158.74	173.44
EUR/KES	132.79	146.69	133.09	149.59
AED/KES	30.92	43.92	32.92	44.42

Amounts > 10 million		Amounts >100,000
KES		USD
2 Weeks	9.50%	1.50%
1 Month	9.75%	2.50%
3 Months	10.00%	3.25%
6 Months	10.25%	3.50%
1 year	10.50%	4.25%



USD movement from Mar 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

The dollar gained on Thursday despite a soft U.S. producer price inflation report for May, after the Federal Reserve adopted a hawkish tone at the conclusion of its meeting on Wednesday. Data on Thursday showed that U.S. producer prices unexpectedly fell in May, with the headline producer price index (PPI) dropping 0.2% last month after advancing by an unrevised 0.5% in April. Core prices were flat, after also seeing a 0.5% increase the prior month. It comes after May's U.S. consumer price index (CPI) on Wednesday was softer than economists had expected, prompting a sharp sell-off in the greenback. The dollar index was last up 0.49% at 105.20. It reached a four-week high of 105.46 on Tuesday, before dropping as much as 1% after Wednesday's CPI data.

On the other hand, the EURUSD was down 0.65% at \$1.0739. It fell as low as \$1.07195 on Tuesday, the lowest since May 2, before jumping as high as \$1.08523 on Wednesday as the dollar weakened. GBPUSD was last flat at \$1.2798. The pound was headed for its fifth weekly gain against the euro on Thursday, having hit its highest in almost two years against the single European currency, which was rattled by political uncertainty in France. USDJPY was up 0.11% at 156.89.

In the commodities markets, gold prices moved little in Asian trade on Friday, pressured by a rebound in the dollar as the prospect of fewer U.S. interest rate cuts largely offset optimism over some cooling in inflation. Spot gold rose 0.1% to \$2,305.23 an ounce, while gold futures expiring in August rose 0.1% to \$2,320.15 an ounce. Gold and broader metal prices retreated in recent sessions after the Federal Reserve said it expected to cut interest rates only once in 2024, compared to earlier forecasts for three cuts.

On the other hand, Oil prices eased on Friday as markets evaluated the impact of U.S. interest rates staying higher for longer than anticipated, but crude benchmarks headed for their best week in more than two months after solid projections for crude and fuel demand. Brent crude futures were down 34 cents, or 0.4%, at \$82.41 a barrel by 0344 GMT. West Texas Intermediate (WTI) U.S. crude futures lost 41 cents, or 0.5%, to trade at \$78.21 a barrel. The Organization of Petroleum Exporting Countries (OPEC) stuck to a forecast for relatively strong growth in global oil demand for 2024 and Goldman Sachs projected solid U.S. fuel demand this summer.

(Investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0529	1.0934
GBP/USD	1.2540	1.2945
USD/ZAR	16.4483	20.4514
USD/AED	3.6526	3.6931
USD/JPY	156.16	160.19

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